

EVELINE TOWNSHIP
CHARLEVOIX COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended June 30, 2004

MASON & KAMMERMAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

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MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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October 26, 2004

INDEPENDENT AUDITOR'S REPORT

To the Township Board of
Eveline Township:

We have audited the accompanying general purpose financial statements of Eveline Township as of and for the year ended June 30, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Eveline Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Eveline Township as of June 30, 2003, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Eveline Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Mason & Kammermann, P.C.

EVELINE TOWNSHIP
ALL FUND TYPES AND ACCOUNT GROUP
COMBINED BALANCE SHEET
as of June 30, 2004

	<u>GOVERNMENTAL FUND TYPES</u>		<u>FIDUCIARY FUND TYPE</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>AGENCY</u>
ASSETS			
Cash in bank	\$302,263	\$116,460	\$172,391
Cash in bank, restricted	7,572	-	-
Investments	81,566	-	-
Due from other funds	84,895	60,167	-
Due from other governmental units	17,762	-	-
Fixed assets	-	-	-
Total assets	<u>\$494,058</u>	<u>\$176,627</u>	<u>\$172,391</u>
LIABILITIES			
Accounts payable	\$ 46,747	\$ -	\$ -
Due to other funds	-	-	145,062
Due to other governmental units	-	-	<u>27,329</u>
Total liabilities	46,747	-	172,391
FUND EQUITY			
Investment in general fixed assets	-	-	-
Fund balance, undesignated	439,739	176,627	-
Fund balance, designated for sewer system	<u>7,572</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>447,311</u>	<u>176,627</u>	<u>-</u>
Total liabilities and fund equity	<u>\$494,058</u>	<u>\$176,627</u>	<u>\$172,391</u>

The accompanying notes are part of the financial statements.

<u>ACCOUNT</u> <u>GROUP</u> <u>GENERAL</u> <u>FIXED ASSETS</u>	<u>TOTALS</u> <u>(MEMORANDUM ONLY)</u>
\$ -	\$591,114
-	7,572
-	81,566
-	145,062
-	17,762
<u>124,074</u>	<u>124,074</u>
<u>\$124,074</u>	<u>\$967,150</u>
-	
-	\$ 46,747
-	145,062
<u>-</u>	<u>27,329</u>
-	219,138
124,074	124,074
-	616,366
<u>-</u>	<u>7,572</u>
<u>124,074</u>	<u>748,012</u>
<u>\$124,074</u>	<u>\$967,150</u>

EVELINE TOWNSHIP
ALL GOVERNMENT FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

for the year ended June 30, 2004

	<u>GENERAL FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER/ (UNDER)</u> <u>BUDGET</u>
Revenues:			
Property taxes	\$161,152	\$164,593	\$ 3,441
Licenses and permits	8,000	7,474	(526)
Intergovernmental	100,000	106,404	6,404
Miscellaneous	<u>71,625</u>	<u>87,586</u>	<u>15,961</u>
Total revenues	340,777	366,057	25,280
Expenditures:			
General government	244,633	208,630	(36,003)
Public safety	103,000	51,611	(51,389)
Highways and streets	<u>50,000</u>	<u>87,717</u>	<u>37,717</u>
Total expenditures	<u>397,633</u>	<u>347,958</u>	<u>(49,675)</u>
Excess (deficiency) of revenues over expenditures	(56,856)	18,099	74,955
Fund Balance, July 1, 2003	<u>421,640</u>	<u>421,640</u>	<u>-</u>
Fund Balance, June 30, 2004	<u>\$364,784</u>	<u>\$439,739</u>	<u>\$ 74,955</u>

The accompanying notes are a part of the financial statements.

<u>SPECIAL REVENUE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER/ (UNDER)</u> <u>BUDGET</u>
\$ 170,846	\$170,818	\$ (28)
-	-	-
-	498	498
170,846	171,316	470
-	-	-
-	-	-
<u>331,654</u>	<u>148,561</u>	<u>(183,093)</u>
<u>331,654</u>	<u>148,561</u>	<u>(183,093)</u>
(160,808)	22,755	183,563
<u>153,872</u>	<u>153,872</u>	<u>-</u>
<u>\$ (6,936)</u>	<u>\$176,627</u>	<u>\$183,563</u>

EVELINE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2004

(1) Summary of Significant Accounting Policies

The accounting policies of Eveline Township conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Basis of Presentation - Fund Accounting

The accounts of the Township are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The funds and account group are described as follows:

GOVERNMENTAL FUND

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUND

Road Fund - The Road Fund is used to account for the proceeds of tax revenues that are restricted to expenditures for roads.

FIDUCIARY FUND

Agency Fund - The Agency Fund is used to account for assets held as an agent for other governmental units and funds. The Agency Fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUP

The account group is used to account for fixed assets which are not reported in the respective governmental fund.

B. Modified Accrual Basis of Accounting

The Township uses the modified accrual basis of accounting for governmental fund types and the Agency Fund. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

EVELINE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2004

(1) Summary of Significant Accounting Policies (Continued)

B. Modified Accrual Basis of Accounting (Continued)

Major revenue sources susceptible to accrual include: property taxes, intergovernmental revenues and investment income. Property tax information is provided in Note 2.

C. Fixed Assets

Fixed assets used in governmental fund type operations are usually accounted for in a General Fixed Assets Account Group rather than in governmental funds. No depreciation has been provided on general fixed assets. The account group is not a fund. It is concerned only with the measurement of financial position. It is not involved with the measurement of results of operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

D. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Township Board submits proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them, for the General and Special Revenue Funds.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted.
4. The Treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.

Budgeted amounts are as originally adopted, or as amended by the Township Board. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year end.

EVELINE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2004

(1) Summary of Significant Accounting Policies (Continued)

E. Total Columns on Combined Statements

Total columns on the Combined Statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

F. Use of Estimates

This presentation of financial statements in conformity with the modified cash basis of accounting requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

(2) Property Tax

Property taxes are levied on July first and December first and are payable by September fourteenth and February fourteenth. Property tax revenues are recognized when levied.

The Township levied .9209 mill for general operations and .9766 mill for roads on a state taxable valuation of \$174,939,896 on the 2003 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in the Agency Fund.

(3) Cash and Investments

Cash deposits and investments are recorded at cost which approximates market value. The Township has a policy to invest funds in excess of current needs with local federally insured financial institutions.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

Insured (FDIC)	\$389,138
Uninsured	<u>291,114</u>
Total	<u>\$680,252</u>

EVELINE TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
for the year ended June 30, 2004

(4) Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 84,895	\$ -
Agency Fund	-	145,062
Road Fund	<u>60,167</u>	<u>-</u>
Totals	<u>\$145,062</u>	<u>\$145,062</u>

(5) Cash Restricted for Sewer System

In accordance with Act 451, the Township has entered into an agreement to assume responsibility for the operation and maintenance of a privately owned public sewer system, if the owners' association should fail to do so. Cash totaling \$7,572 has been restricted for this purpose.

(6) Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

EVELINE TOWNSHIP
GENERAL FUND
STATEMENT OF REVENUES
for the year ended June 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER/ (UNDER) BUDGET</u>
Property taxes	\$161,152	\$164,593	\$ 3,441
Licenses and permits, Zoning Fees	8,000	7,474	(526)
Intergovernmental, State revenue sharing	100,000	106,404	6,404
Miscellaneous:			
Administrative and collection fees	55,125	60,762	5,637
Interest	15,000	10,733	(4,267)
Cemetery lots	500	400	(100)
Other	<u>1,000</u>	<u>15,691</u>	<u>14,691</u>
Total miscellaneous	<u>71,625</u>	<u>87,586</u>	<u>15,961</u>
Total revenues	<u>\$340,777</u>	<u>\$366,057</u>	<u>\$ 25,280</u>

EVELINE TOWNSHIP

GENERAL FUND

STATEMENT OF EXPENDITURES

for the year ended June 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER/ (UNDER)</u> <u>BUDGET</u>
General Government:			
Township Board:			
Wages	\$ 5,000	\$ 15,641	\$ 10,641
Payroll taxes	22,000	7,084	(14,916)
Supplies	2,500	888	(1,612)
Dues and membership	3,000	2,931	(69)
Professional services	15,500	30,950	15,450
Printing and advertising	3,000	1,212	(1,788)
Travel	500	669	169
Township clean-up	25,000	14,600	(10,400)
Other	<u>1,600</u>	<u>883</u>	<u>(717)</u>
	<u>78,100</u>	<u>74,858</u>	<u>(3,242)</u>
Supervisor:			
Wages	13,500	13,000	(500)
Supplies	1,400	1,268	(132)
Travel	800	591	(209)
Other	1,200	454	(746)
Capital outlay	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
	<u>17,900</u>	<u>15,313</u>	<u>(2,587)</u>
Elections,			
Supplies	<u>500</u>	<u>222</u>	<u>(278)</u>
Assessor:			
Wages	20,000	20,000	-
Professional services	2,000	1,009	(991)
Supplies	2,400	1,923	(477)
Travel	1,050	1,067	17
Other	2,200	1,289	(911)
Capital outlay	<u>100</u>	<u>-</u>	<u>(100)</u>
	<u>27,750</u>	<u>25,288</u>	<u>(2,462)</u>

(Continued)

EVELINE TOWNSHIP

GENERAL FUND

STATEMENT OF EXPENDITURES

for the year ended June 30, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER/(UNDER)</u> <u>BUDGET</u>
General Government: (Continued)			
Clerk:			
Wages	\$ 14,300	\$ 13,080	\$ (1,220)
Supplies	1,700	1,671	(29)
Educational meetings	600	500	(100)
Mileage/travel	200	197	(3)
Other	800	336	(464)
Capital outlay	<u>1,500</u>	<u>1,740</u>	<u>240</u>
	<u>19,100</u>	<u>17,524</u>	<u>(1,576)</u>
Board of Review:			
Wages	1,300	1,022	(278)
Printing and advertising	500	379	(121)
Other	<u>700</u>	<u>460</u>	<u>(240)</u>
	<u>2,500</u>	<u>1,861</u>	<u>(639)</u>
Treasurer:			
Wages	16,800	16,036	(764)
Supplies	1,650	5,773	4,123
Repair and maintenance	200	120	(80)
Professional services	300	23	(277)
Printing	1,500	1,914	414
Other	800	60	(740)
Capital outlay	<u>100</u>	<u>-</u>	<u>(100)</u>
	<u>21,350</u>	<u>23,926</u>	<u>2,576</u>
Zoning Administrator:			
Wages	10,000	10,388	388
Appeals board	5,500	3,580	(1,920)
Travel	1,000	668	(332)
Supplies	500	773	273
Educational meetings	1,000	982	(18)
Other	<u>600</u>	<u>-</u>	<u>(600)</u>
	<u>18,600</u>	<u>16,391</u>	<u>(2,209)</u>
Township Hall:			
Supplies	400	333	(67)
Repair and maintenance	1,000	653	(347)
Utilities	1,000	869	(131)
Other	100	447	347
Capital outlay	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
	<u>4,000</u>	<u>2,302</u>	<u>(1,698)</u>

(Continued)

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MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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October 26, 2004

To the Board of Directors of
Eveline Township:

In planning and performing our audit of the financial statements of Eveline Township for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Eveline Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

Tax collections are to be remitted within ten business days after the first and fifteenth of each month until settlement with the County Treasurer. The Township has been delinquent in distributing tax revenues that were collected for other governmental units.

Eveline Township
October 26, 2004
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This report is intended solely for the information and use of the Board of Directors, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Velda K. Kammermann

VKK/vmp